



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.07

Required Report - public distribution

Date: 10/4/2004

GAIN Report Number: NI4019

Nigeria

Exporter Guide

Annual

2004

Approved by:

Jamie Rothschild, Agricultural Attache
U.S. Consulate, Lagos

Prepared by:

Uche Nzeka, Agricultural Marketing Specialist

Report Highlights:

GON's continued restrictive measures such as bans have reduced legitimate imports of many HVPs into Nigeria. However, local demand for intermediate foods (such as concentrates, flavors and ingredients), HRI products, seafood as well as consolidated, mixed containers of grocery products, is growing. Post is intensifying buyer prospects for these product categories and will assist interested U.S. suppliers in establishing business relationships with local importers.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Lagos [NI1]
[NI]

Table of Contents

Market Overview.....	3
Advantages and Disadvantages.....	4
Exporter Business Tips	5
Market Sector Structure And Trends.....	7
Best High-Value Product Prospects.....	9
Post Contact And Further Information.....	10
Appendix (Statistics): Key Trade & Demographic Information.....	11

SECTION I. MARKET OVERVIEW

Nigeria, with a population of approximately 133 million, growing at three percent per annum, is the largest market in sub-Saharan Africa and provides a bonus market for the more than 30 million consumers residing in the neighboring West African countries

- ❑ Industry estimates of retail food sales in Nigeria during calendar year 2003 is approximated at \$31 billion as shown in the table below:

Food Product Form	\$ Million
Imported High-Value Food Products (HVP)	340
Imported Bulk & Intermediate foods	1,660
Local Processed Foods	300
Local, Semi-processed, Unprocessed Foodstuffs & Staples, including fresh fruit, vegetables, meat	28,700
Total	31,000

Source: Industry Estimates

- ❑ Out of Nigeria's total food and agricultural imports in 2003, 17 percent (valued \$340 million) were high-value food products (Industry sources). This represents a drop by 15 percent compared to 2002. The drop is due mainly to:
 1. Continued ban on many HVP import and high tariff
 2. Increased registration fee for imported HVPs.
- ❑ The GON has stated that these measures will assist domestic HVP processors to gain more market share, attract foreign investors and create jobs
- ❑ The traditional open markets are the major outlets for imported HVPs in Nigeria.
- ❑ Distribution follows the traditional channels, beginning with the importer-wholesaler-retailer-consumers. "Supermarkets" share a small proportion of total sales
- ❑ Importers usually are privately-owned firms and their operations are comparatively small- and medium-scaled
- ❑ The EU, Asian and South African firms are the dominant suppliers of imported HVP to the Nigerian market
- ❑ Nigeria's local food processing sector though growing, has remained underdeveloped. Unstable GON import policies, inadequate infrastructure and operational capital for domestic processing are some of the factors accounting for this low-level local production. Cross-border smuggling of HVP has continued.

Advantages & Disadvantages

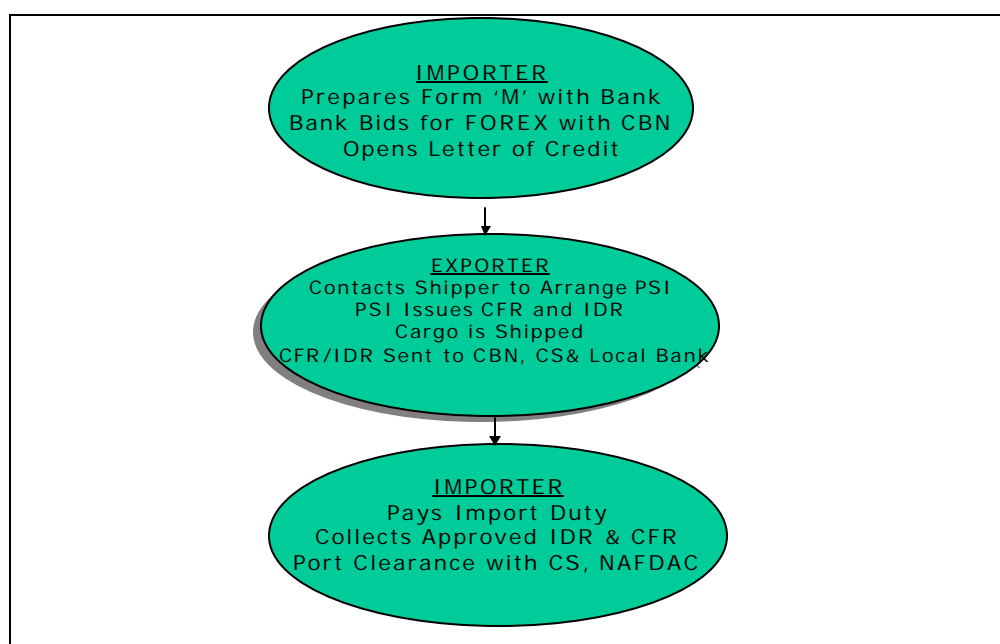
Advantages	Disadvantages
Nigeria's population of about 133 million is growing at three percent per annum	Average per capita income is estimated at \$355
A continued massive rural-urban migration increasing demand for imported HVPs	U.S. HVPs are not as readily available and known in Nigeria as HVPs from the EU, Asia and South Africa
Nigerian consumers' perception of U.S. HVPs as higher quality items	Shipment freights from the U.S. are significantly higher than those from the EU, Asian & South African suppliers
Nigerian consumers readily adapting U.S. tastes and preferences especially for convenience-typed foods and snacks	Direct U.S. to West African shipping routes are infrequent—transshipments, often made at EU & South African ports add to cost and longer shipping time
Increasing local demand for intermediate foods (such as concentrates, flavors and ingredients), HRI products, seafood, seafood-based ingredients as well as consolidated, mixed containers of grocery products	U.S. exporters are not as flexible regarding importer requests on packaging and documentation as competitors
Increasing female workers and school-attending children	Duplicate inspections and longer clearing time at Nigerian ports
Domestic food processing is under-developed and will remain so due to inefficient infrastructure and ineffective policies	GON's import ban on many HVP and high tariffs on HVPs ranging 100-150 percent
Availability of Supplier Credit Guarantee Program in Nigeria	Negative perception of Nigerian businesses in the U.S.
Adoption of 'Global Listing for Supermarket' items by food regulatory authorities offering relatively low cost, low risk market-entry window for HVPs not banned for imports	A lack of freight consolidators in the U.S. to handle Nigerian importers' ordering and shipping requirements
The huge Nigerian market also, serves the more than 30 million market in the neighboring West African countries	Labeling of 'Best Before Dates' on U.S. HVPs are confusing to Nigerian consumers. U.S. HVP also have shorter shelf life compared to competitors

SECTION II. EXPORTER BUSINESS TIPS

- ❑ Importer preferences are evident for HVP with the following characteristics:
 1. Relatively small-sized products, prepared and packaged for one-time use
 2. Bulk, intermediate products and ingredients for local re-processing and packaging
 3. Mixed-containers of high-value products and brands
 4. Perishable food products processed and packaged for long shelf life without refrigeration
- ❑ All imported HVP must be registered with NAFDAC to be legally importable into Nigeria
 1. Application for registering regulated products is made by the manufacturer
 2. Foreign manufacturers must be represented in Nigeria by a duly registered company, which can be easily contacted for product recall, if necessary
 3. NAFDAC considers the local importer to be acting as a representative of the foreign manufacturer
 4. In practice, it is the local representative that handles/coordinates the registration process for imported foods with NAFDAC
 5. NAFDAC increased registration fees on imported HVPs from approximately \$60 per brand to \$6,000 per item
- ❑ NAFDAC's adoption of global listing of supermarkets (GLS) food items has created another convenient and less expensive alternative for the Nigerian importer-distributors of HVP
 1. The GLS allows importer-distributors to import mixed container loads of high-value food products
 2. Items listed under GLS include all items regulated by NAFDAC, which are sold in supermarkets and other specialties required by hotels, fast food chains and international organizations
- ❑ Please, see FAIRS Report No: NI4015 (Import Regulation) for details
- ❑ The Nigerian Customs Service (NCS) is the GON agent for import duty collection.
 1. Import duties for HVPs run high as 100 to 150 percent
 2. All HVP imports are assessed at 5 percent Value Added Tax (VAT)
 3. The 5 percent VAT is on CIF value plus (+) import duty + port surcharge assessed at seven percent of import duty + one percent of import duty (called Customs Service inspection charge)
- ❑ GON initiated a policy that subjects all imports into the country to a duplicate inspection since May 2001
 1. A pre-shipment inspection (PSI) in the country of export by a GON-appointed PSI agent prior to shipment, and
 2. A-100 percent destination inspection at Nigeria's port of entry
 3. PSI agent for imports shipped from the United States is Swede Control/Intertek--the shipper or exporter arranges for the PSI to be done
 4. Also, see Post's FAIRS Report (NI4015) for details
- ❑ Importers of high-value food commodities reportedly, still practice the customary duty reduction/avoidance practice--rules can be bent to move imports into Nigeria
 1. Allegedly, the Pre-Shipment Inspection agents in the U.S. are stricter than their counterparts in other countries

2. Nigeria's high tariffs on HVP encourages many Nigerian importers to ship their U.S. consignments to the EU countries where the consignments are re-inspected, re-documented and transshipped to Nigeria
3. Nigerians also, ship their consignments to ports in neighboring countries where they enter the Nigerian market through cross-border smuggling chain
4. Many Nigerian importing firms register companies in the neighboring West African countries specifically, for receiving and transiting their consignments to the Nigerian market
5. A large proportion of HVP exported to other West African countries are sold in the Nigerian market
6. Nigerian importers may purchase these items directly from overseas or they may purchase from importers of neighboring countries.

□ Following are documentation procedures for all imports:



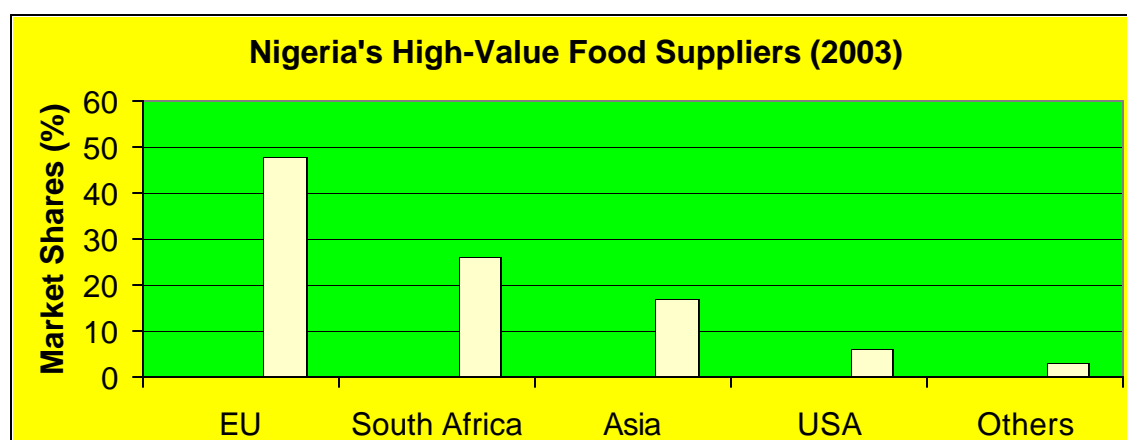
1. Importer contacts his local bank with import documents such as invoice/s, insurance certificate/s, etc, so the 'Form M' can be prepared. The bank needs the 'Form M' to apply for foreign exchange from Nigeria's Central bank (CBN) to pay for the goods. A Clean Report of Findings (CFR) number is assigned after the CBN approves the use of foreign exchange. (Average two days). The local bank bids for the required foreign exchange. Often, banks do not obtain foreign exchange for the total invoice value from the CBN and will need to bid multiple times. Importer opens a Letter of Credit for the purchase. (Average two weeks).
2. Exporter contacts his shipper to arrange pre-shipment inspections (PSI) with GON's agent (Intertek/Swede Control). The PSI agent issues Clean Report of Findings (CFR) and, Import Duty Report (IDR), which validate the commodity being shipped and, its valuation for import duty purposes. Cargo is shipped (on average, transport time from the U.S. to Nigeria is three weeks). The PSI agent sends both CFR and IDR to CBN and Nigeria Customs Service (NCS) as well as forwards copies of the IDR directly to the importer's local bank.

3. Importer initiates port clearances with the Nigerian Customs Service as well as inspections and clearances by NAFDAC, the Nigerian Drug Law Enforcement Agency and sometimes, the Standards Organization of Nigeria and other agencies stationed at Nigeria's ports (on average two weeks).
- ❑ Opening letters of credit in Nigeria often is a time-consuming and expensive endeavor.
 1. Many Nigerian importers arrange payment for their imported food items through Inter-bank wire transfers.
 2. The exporter simply ships the items to importer upon receipt of his bank transfer payments avoiding the rigors of Form M and PSI procedures.
 3. This import procedure (now classified as "non-IDR imports") has become a high risk to the importer as GON recently expressed the postponement of its proposed single (destination only) inspection policies

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

- ❑ The retail food sector in Nigeria consists of supermarkets, convenience stores/small groceries, and traditional open-air markets--accounting for approximately two percent, 30 percent and 68 percent respectively, of total retail food sales
- ❑ Industry estimates all retail sales of imported consumer-ready food products handled in Nigeria in 2003, by supermarkets, convenience stores and traditional markets at approximately two percent, 40 and 58 percents respectively
- ❑ The major players for imported HVP merchandising in Nigeria are:
 1. Importer-distributors
 2. Agents/Sole Representatives
 3. Wholesalers
 4. Sub-Wholesalers/Super-retailers
 5. Retailers
- ❑ Please, see Post's Retail Sector Report No. NI3029 for the illustrated details of the inter-relationship of these players in merchandising imported HVP in Nigeria
- ❑ Hotels and food catering services are growing although they still represent a small outlet for imported HVP
- ❑ Fast food and hotel-restaurant establishments are steadily growing and are offering a greater sales opportunity for U.S. intermediate foods and ingredients
- ❑ Sales potential in HRI area exists due to:
 1. An increasing number of middle-aged Nigerians (especially the educated professionals) preferring to meet their business contact at restaurants
 2. A growing number of restaurants offering food products and services demanded by these affluent consumers
 3. An increasing number of food caterers rendering mobile service in homes, offices and at social gatherings
- ❑ The GON is courting foreign investors to do business in Nigeria
 1. For the first time, GON has positioned tourists affairs at cabinet level
 2. Hotels meeting international standards are few but growing steadily

3. Abuja, Lagos and Port Harcourt are the ideal cities in Nigeria for focusing sales efforts toward the HRI sector
- ❑ Nigeria's domestic food processing sector is small and under-developed.
1. The sector accounts for less than one percent of Nigeria's \$50 billion GDP in 2003
 2. Nigeria's food processing sector possibly will double in the next five years if the current trade regime is sustained.
 3. The GON implemented sweeping import bans on several HVPs and provided investment incentives to local producers. For example, the GON banned imports of fruit juices in retail packs and reduced the duty of fruit juice concentrates from 100 percent to 10 percent in 2003. The new policy direction is encouraging new investments in local food processing
 4. Nigeria's food processing sector offers increasing export sales opportunities for intermediate food products, food ingredients and additives. The demand for fruit juice concentrate has increased since the GON's banned import of fruit juice products in retail packs in late 2001
 5. Industry sources indicated that capacity utilization in the food-processing sub-sector has grown to more than 60 percent in 2003 from about 40 percent in 2002
 6. Locally produced HVPs are mostly lower quality items and do not meet the requirements of a growing and sophisticated Nigerian consumer
 7. Despite recent growth trends, locally produced HVPs will continue to lag behind demand in the near term due largely to poor infrastructure and ineffective policy implementations
- ❑ Industry estimates the origin and supply of imported consumer-ready food products in 2003 are as shown below:



Source: Industry Estimate

- ❑ The U.S. market share estimated six percent.
- ❑ The low U.S. market share is mostly attributed to:
1. Higher freight charges for shipments from the US
 2. Unfavorable perception of Nigerian firms in the US
 3. U.S. exporters' less responsiveness to the Nigerian importer demands especially, on documentation and product specifications
 4. Lack of contact between Nigerian importers and U.S. HVP exporters

- ❑ With the GON's tariff reduction on all fishery products (including fin fish and invertebrates) from 25 percent to 5 percent in 2001, Nigeria has become a major destination for imported seafood
 1. Total Nigerian seafood imports increased 33 percent from 600,000 MT in 2002 to 800,000 MT (valued \$570 million) in 2003 [Industry/AgOffice estimates]
 2. The same sources anticipate that Nigeria's total market supply will grow to more than one million tons by end of calendar year 2004
 3. Export sales of U.S. seafood (especially frozen mackerel, herring and croaker) to Nigeria nearly doubled in 2003 although market share remains negligible
 4. If brokers consolidating these seafood products can be found in the U.S., Nigerian importers would consider large-volume purchasing for shipment in larger reefer vessels to reduce average freight costs
- ❑ With the higher local demand for seafood compared to its supply, local aquaculture has begun to grow. This has created a niche market for U.S. exporters of aquaculture feed ingredients and additives.
- ❑ Please, see Post's GAIN report #: 4012 titled "The Nigeria Seafood Brief" for details
- ❑ New-to-market U.S. food and agricultural products exporters should consider the following market entry strategies and tactics;
 1. Contact the Agricultural Attache at the USDA/FAS office located in the American Consulate, Lagos-Nigeria for assistance in selecting a local distributor/ agent or representative
 2. Appoint a local distributor/agent or representative in Nigeria to register the products with the appropriate GON regulatory bodies, to introduce their products, and to develop consumer demand
 3. Identify and sell through consolidators based in the U.S. who are serving the West African region
 4. Exhibit at trade shows in the U.S. which are attended by Nigerian importers and where follow-up contacts can be made
 5. Offer food product shipment in mixed-lot containers
 6. Offer flexible shipping volumes
 7. Adapt pricing strategy that encourages importers to initiate buying activity with U.S. suppliers
 8. Send sample products and sales catalogs to Post to facilitate prospecting for local buyers

SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS

- ❑ The following HVP are legitimate for export to Nigeria:
 1. Breakfast Cereals
 2. Wine, including sparkling wine
 3. Spirits, Liqueurs, etc
 4. Alcoholic beverages
 5. Non-alcoholic beverages
 6. Canned vegetables
 7. Milk, Cream, Honey products (liquid or powdered)
 8. Spices, Sauces including, Soy Sauce
 9. Coffee, Tea & Herbal products
 10. Yeast & Baking Powder
 11. Tomato Ketchup
 12. Mayonnaise & Salad Dressing
 13. Mixed Seasoning

14. Canned Soups
 15. Baby Foods
 16. Sweeteners & Non-Dairy Coffee Whiteners
 17. Health Food products
 18. Nuts
 19. Powdered beverages
 20. Bottled Vegetable/Cooking oil
 21. Packaged rice, etc
- ❑ The under-listed product types offer the most sales potential in Nigeria:
1. Frozen seafood
 2. Fast food & other HRI food ingredients including, ice cream and yoghurt concentrates
 3. Agricultural-based food ingredients
 4. Industrial processed foods & beverages especially, fruit juice concentrate and bulk for local re-processing and packaging
 5. Bakery, confectionery, and food preparation ingredients
 6. Specialized food ingredients such as additives, preservatives, and flavorings
 7. Fish-and seafood-based ingredients and additives for local aquaculture
- ❑ Selected High-Value Food Products attracting high tariffs are--Spices & Herbs (100%), Vegetable Oil in retail pack (65%), Breakfast Cereals (100%), Fruit/Nut Mixtures-Peanut Butter (100%), Condiments/Sauces & Seasonings (50%), Ice Cream/Edible Ices (100%), Mixes, Dough (100%), Margarine (100%), Distilled Beverages (100%), Tapioca and Substitutes (100%), Sparkling Wine (100%), Jams, Jellies & Fruit Glace (100%), etc

SECTION IV. POST CONTACT AND FURTHER INFORMATION

Agricultural Affairs Office
American Consulate
2, Walter Carrington Crescent
Victoria Island, Lagos-Nigeria
Telephone: (234) 1 261-3926, 775-0830
Fax: (234) 1 261-3926
e-mail: aglagos@usda.gov

National Agency for Food & Drug Administration & Control (NAFDAC)
Plot 204, Olusegun Obasanjo Way
Wuse Zone 7
Abuja-Nigeria
Telephone: (234) 9 234-6383, 234-6405-6
Fax: (234) 9 269-5163, 234-8382
e-mail: nafdac.lagos@alpha.linkserve.com
Website: www.NAFDAC.org

Nigeria Customs Service
Customs Headquarters
3-7, Abidjan Street
off Sultan Abubakar Way, Wuse Zone 3
Garki-Abuja, Nigeria
Tel: (234) 9 523-6394, 253-4680
Fax: (234) 9 523-6394, 523-4690

EXPORTER GUIDE

APPENDIX I. STATISTICS

TABLE A. KEY TRADE & DEMOGRAPHIC INFORMATION

Agricultural Imports From All Countries (\$b) / U.S. Market Share (%) *1	2 / 15
Consumer Food Imports From All Countries (\$m)/ U.S. Market Share (%) *1	340 / 6
Edible Fishery Imports From All Countries (\$m) / U.S. Market Share (%) *1	570 / 0.7
Total Population (Mil) / Annual Growth Rate (%)	133 / 3
Urban Population (Mil) / Annual Growth Rate (%)	67 / 3.5
Number of Major Metropolitan Areas *2	25
Size of the Middle Class (Millions) / Annual Growth Rate (%) *3	6 / 2
Per Capita Gross Domestic Product (U.S. Dollars)	375
Unemployment Rate (%)	2.7
Per Capita Food Expenditures (U.S. Dollars)	235
Percent of Female Population Employed *4	Not Available
Exchange Rate (US\$ 1= 130) *5	130

Footnotes

*1/ Industry Estimate

*2/ Population in excess of 1,000,000

*3/ Middle class is the proportion of the population earning an average annual income of \$600 to \$2,000

*4/ Percent of total number of women (15 years old or above)

*5/ Exchange rate the previous year was US \$1=131.7)

Note: This report does not include Tables B and C since the FAS web-enabled UN Trade Database does not contain statistics for Nigeria